

# **WISCONSIN'S COMMITMENT TO PUBLIC EDUCATION— EDUCATION AS AN INVESTMENT FOR THE NEW ECONOMY**

**Wisconsin Economic Summit  
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**Panel Discussion:  
"Education as an Economic Cluster"**

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State Superintendent**

Thank you, Rolf, for that kind introduction and for your opening remarks. It is my pleasure to be here this afternoon on this panel with President Lyall and President Carpenter, two persons I routinely work with as a member of the University of Wisconsin Board of Regents and the state board for the Wisconsin Technical College System. I am honored also to co-chair with Katharine Lyall the state's PK-16 Leadership Council, which is comprised of all of us plus other leaders and educators from Wisconsin's government, schools, labor, business, and industry.

The PK-16 council is a key part of Wisconsin's plan for the future. If PK-16 collaborations are successful, we'll make wise decisions when we call upon the governor and legislature to make difficult choices between and among competing priorities. The PK-16 educational community sees our efforts to build human capital as being central in importance. Without a strong PK-16 educational system, there won't be a brain to drain in this state. When K-12 education does our job well, it makes it possible for further achievement at the postsecondary levels.

The third economic summit beginning today provides a welcome opportunity to talk about PK-16 education as the best investment we can make in the new economy.

Education is an economic cluster, and it has a powerful impact on our state's future. Education at all levels, preschool to postgraduate; education of all types, public and private; education, plainly stated, simply works. Education works in partnership with others to build our most cherished resource for the future, the next generation.

The bottom line is, we must ensure that every child receives a quality education. Therefore, we must close the achievement gap that separates children on the basis of race, economic status, or disability. This is not optional. This is the intergenerational commitment we owe to our children and to our state's future.

It is my thesis today that when we work to close the achievement gap, we are working on the most important economic development activity in the state of Wisconsin. When we close the achievement gap, we close the earnings gap. When we accomplish these ends, we raise new hopes and provide new opportunities. We accomplish the goal of raising incomes, strengthening the state's economy, and positioning our state and our people for a future of opportunity.

Let's review several factors relevant to the scope of public K-12 education:

- Each year approximately 68,000 children are born in Wisconsin. That's equivalent to adding a community the size of Waukesha or Appleton every year.
- Wisconsin's population of 5.4 million is projected to grow at 5-6 percent per decade, reaching 6.35 million in the year 2030. Looking to the future, we can see several interesting trends. We'll have more preschool children in our state, as the birth to age 4 group will increase more than 12 percent from the year 2000 to 2030. At the same time, our state's elderly population will skyrocket. As the baby boomers reach retirement, the percent of our state's population who are senior citizens will increase from 13 percent in 2000 to 21 percent in 2030.
- With an estimated 2.08 million households, our state has a total school-age population of 1.03 million, nearly 19 percent of the state's total population.
- Wisconsin's public schools serve roughly 86 percent of Wisconsin's total school enrollment. In 2001-02, there were 880,000 students enrolled in 426 school districts through attendance at 2,200 school buildings. This number of students roughly equals the combined populations of Milwaukee, Madison, and Appleton. Or, stated another way, the number of students enrolled in Wisconsin's public schools are enough to fill slightly more than four sellouts of all five of the state's major athletic facilities: Camp Randall stadium, Lambeau Field, Miller Park, The Bradley Center, and The Kohl Center.
- Students attending public schools were served by 61,000 full-time equivalent teachers, a total roughly the same as the total population for Oshkosh, Eau Claire, West Allis, or Janesville.
- In addition to the teachers, there are 52,000 other school personnel working in public K-12 education. With a combined total of over 112,000 jobs in the public schools, nearly 4 percent of the state's total employment base works in public K-12 education.
- There are more than 2,800 locally elected school board members overseeing the public schools. If we called a meeting of all school board members, that group would exceed the capacity of the largest hall at Milwaukee's Marcus Center for the Performing Arts or Madison's Oscar Mayer Theatre.

Now that we've reviewed the size of the enterprise, let's outline some important fiscal issues.

With an annual state budget of roughly \$24 billion, K-12 education receives approximately \$4.6 billion.

Since educational funding involves local, state, and federal funding, the combined total from all sources for 2000-01 was \$7.9 billion. That is a tremendous total investment in the operation of K-12 education in Wisconsin. For those keeping score, the state picked up 55 percent, local property taxes 40 percent, and the federal government 5 percent.

Any expenditure that large has a tremendous impact on the state economy. While we would prefer to look at it as an investment rather than a cost, we know that the \$7.9 billion spent on the schools has a ripple effect as this money moves through the state's economy.

We are impressed by the economic analysis that was conducted on the impact of the UW System. While there are many obvious differences between K-12 education and higher education, we believe the model is useful for the glimpse it provides into the scope of the investment in education.

The recent study calculated that the UW System has a \$9.5 billion impact each year on the state's economy. Using the economic multiplier found in an earlier study of the UW System, we can make some rough ballpark projections about the impact K-12 spending has on the state's economy.

Understanding the limitations of using that methodology, we can estimate that a \$7.9 billion K-12 expenditure corresponds to an annual impact of \$18.3 billion on the state's economy. An economic impact at that level would account for 10.5 percent of all economic activity in the state.

While it may not be appropriate to use the same model for K-12 education that was used by the UW System, we can see that K-12 education is big business in its own right. We believe it is also beyond dispute that this investment has a considerable impact on the state's overall economic condition. But we need to move beyond these calculations to see what basic education means to individuals.

Census Bureau data underscores the relationship between educational attainment and earnings. A July 2002 report projects that typical high school graduates can expect, on average, to earn \$1.2 million over the course of their careers. That figure rapidly climbs to \$2.1 million for those with a bachelor's degree and \$2.5 million for those with a master's degree.

Data recorded using 1999 dollars found average adult earnings of \$34,700. The actual earnings by group ranged from \$18,900 for high school dropouts to \$25,900 for those with a diploma. High school dropouts have at least a \$7,000 "earnings gap" when compared against graduates. This earnings gap expands to a \$15,800 annual gap when compared with the earnings of an average adult.

Stated another way, a high school dropout only earns 55 percent of what an average adult earns. That is an earnings gap that is real. That is an earnings gap that continues to grow as we compare these diminished incomes with those who attain even higher levels of educational achievement. That is an earnings gap that must be closed.

When this annual earnings deficiency is measured out over the course of an individual's 40-year working career, you can see there is a \$280,000 advantage for those who complete high school. When earnings are compared to an "average" adult's earnings, the gap widens to become nearly two-thirds of a million dollars.

With 518,000 Wisconsin residents without a high school diploma, the aggregate earnings gap represents a total potential loss of \$3.6 billion per year in state income and \$225 million in lost state sales and income tax revenues per year.

The last economic summit successfully focused public attention on the effort to raise Wisconsin's per capita income. Wisconsin's 2000 per capita income of just over \$28,000 trailed the national average by approximately \$1,400. If our state successfully moved its per capita income to the national average, this increase would correspond to nearly \$7.8 billion in additional income for Wisconsin residents. That would represent more than a 5 percent increase in the state's total personal income.

If we adopted the goal of concentrating on closing the achievement gap, those earnings make a significant contribution toward the goal of improving our state's per capita income. An improvement of \$3.6 billion in earnings moves us nearly half way toward this goal of reaching the national average.

Educational investments are frequently compared against the costs of the criminal justice system. While that is not always a fair comparison, we can still look to aggregate data to gauge the impact of these expenditures.

- In the 12 years since the Department of Corrections was formed, we have seen an increase by 238 percent in the number of individuals incarcerated or placed under supervision in their communities.
- We have 21,000 incarcerated adults—roughly the same as the population of Sun Prairie, Muskego, South Milwaukee, De Pere, or Fitchburg.
- When those who are incarcerated are combined with those on community-based supervision, we have approximately 88,000 individuals in the system, or roughly the same population as our fifth- or sixth-largest cities, Racine or Kenosha.
- With 13 adult prisons and 16 correctional centers, the Corrections budget from all sources approaches \$900 million.
- While we must be careful when reviewing the significance of the number, the simple fact is, the Department of Corrections reports the average annual cost of incarcerating a Wisconsin inmate is nearly \$27,000.

While we cannot conclude there is a dollar-for-dollar tradeoff between education and corrections, we can see an inverse relationship between educational achievement and incarceration rates. The Department of Corrections reports that offenders entering adult correctional institutions have the following educational achievement profile:

- Reading: 51 percent read below the ninth-grade level, and 26 percent read below the sixth-grade level. That's more than one-half of all incarcerated adults reading below the ninth-grade level and more than one-quarter below the sixth-grade level.
- Math: 75 percent test below the ninth-grade level in math; 40 percent test below the sixth-grade level. That's three-quarters of the incarcerated adults testing below the ninth-grade level and 40 percent below the sixth-grade level.

We must focus on closing the achievement gap. We must provide new and expanded opportunities for all Wisconsin citizens to participate in our state's economy. We must work to raise achievement in order to create new hope and new opportunities.

When we do these things, I am convinced we also will correspondingly decrease participation rates in our state's correctional system. Wouldn't it be wonderful if the 238 percent increase in corrections could be turned around to actually see incarceration rates falling at the same time that the state's labor market strengthens? Isn't it time to address these issues and provide economic opportunity for everyone, to leave no one behind?

All of these efforts and commitments will serve to build Wisconsin's economy and help to ensure the long-term vibrancy of our state's economic future.

It is the strength of our state's commitment to public education that has fueled our state's economy from the date of statehood. It will be a renewal of that commitment that will help us move to a stronger competitive position in the new economy.

Closing the achievement gap closes the earnings gap, raises per capita income, and strengthens our state's economy.